

Town of Vici
Vici, Oklahoma

Audit Report
Year Ended June 30, 2014

**Town of Vici
Vici, Oklahoma**

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Independent Auditor's Report

The Board of Town Commissioners
Town of Vici
110 W. Broadway
Vici, Oklahoma 73859

I have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Vici, State of Oklahoma, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Audit Standards* as issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Basis for Qualified Opinion

As discussed in Note 1 to the financial statements, the Town has not maintained complete capital asset records to support the historical cost of past capital asset purchases. Accounting principles general accepted in the United States of America require that capital assets be recorded at historical cost net of accumulated depreciation. Documentation supporting historical cost was not readily available for my review. Also, the Town

has elected not to report depreciation on these capital assets. The amount by which this departure would affect the assets, net assets, and expenses of the governmental and business-type activities is not readily determinable.

Qualified Opinion

In my opinion, except for the effects of the matter described in the "Basis for Qualified Opinion" paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental and business-type activities of the Town of Vici, State of Oklahoma, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major governmental and the aggregate remaining governmental fund information of the Town of Vici, State of Oklahoma, as of June 30, 2014, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on page 29 and the notes on page 30 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

The Town has omitted Management's Discussion and Analysis that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB), who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. My opinion on the basic financial statements is not affected by this missing information.

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Vici's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards

Town of Vici
May 28, 2015

generally accepted in the United States of America. In my opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Governmental Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my reported dated May 28, 2015, on my consideration of the Town's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

Linda S. Woodruff, CPA, P.C.

Linda S Woodruff CPA, PC
Oklahoma City, Oklahoma City

May 28, 2015

Town of Vici
Vici, Oklahoma

Basic Financial Statements
for the year ended June 30, 2014

Town of Vici
Statement of Net Position
June 30, 2014

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and Equivalents	\$ 441,333	330,970	\$ 772,303
Investments	10,268	291,575	301,843
Receivables	39,278	142,522	181,800
Restricted Cash	-	39,117	39,117
Due from Other Governmental Agencies	-	-	-
Inventories	-	-	-
Other Assets	4,379	14,027	18,406
Capital Assets			
Land and Improvements, not being depreciated	-	-	-
Infrastructure	48,813	-	48,813
Buildings	216,493	903,995	1,120,488
Equipment and Furniture	230,536	310,225	540,761
Utility System	-	-	-
Less: Accumulated Depreciation	(261,584)	(358,337)	(619,921)
Total Capital Assets	234,258	855,883	1,090,141
Total Assets	729,516	1,674,094	2,403,610
Deferred Outflows of Resources			
Total Deferred Outflows	-	-	-
Liabilities			
Accounts Payable and Accrued Expenses	-	-	-
Cash Overdraft	-	30,853	30,853
Long-Term Liabilities			
Due within One Year			
Bonds, Capital Leases, and Contracts	-	-	-
Accrued Interest	-	-	-
Compensated Absences	-	-	-
Claims and Judgments	-	-	-
Due in More than One Year			
Bonds, Capital Leases, and Contracts	-	26,993	26,993
Accrued Interest	-	-	-
Compensated Absences	-	-	-
Meter Deposits Payable	-	39,117	39,117
Total Liabilities	-	96,963	96,963
Deferred Inflows of Resources			
Total Deferred Inflows	-	-	-
Net Position			
Invested in Capital Assets, Net of Related Debt	234,258	855,883	1,090,141
Restricted for			
Capital Projects	-	-	-
Debt Service	-	-	-
Other Projects	-	39,117	39,117
Unrestricted	495,258	682,131	1,177,389
Total Net Position	\$ 729,516	\$ 1,577,131	\$ 2,306,647

See Independent Auditor's Report.

The accompanying notes are an integral part of the basic financial statements.

Town of Vici
Statement of Activities
For the Year Ended June 30, 2014

Functions/Programs	Net (Expense) Revenue and Changes in Net Assets				
	Program Revenue		Primary Government		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities
Primary Government					
Governmental Activities					
General Government	\$ 180,245	\$ -	\$ -	\$ (174,245)	\$ (174,245)
Public Safety	76,969	3,960	-	(73,009)	(73,009)
Public Works	-	-	-	-	-
Street and Alley	15,785	5,521	-	(10,264)	(10,264)
Culture and Recreation	-	-	-	-	-
Education	-	-	-	-	-
Unallocated Depreciation	35,533	-	-	(35,533)	(35,533)
Total Governmental Activities	308,532	15,481	-	(293,051)	(293,051)
Business-Type Activities					
Vici Nursing Home	-	-	-	116,737	116,737
Vici Public Works	-	-	-	88,357	88,357
Total Business-Type Activities	-	-	-	205,094	205,094
Total Primary Government	308,532	15,481	-	(293,051)	(87,957)
General Revenues					
Taxes					
Oil and Gas Royalty				1,782	1,782
Property Taxes, Levied for Debt Service				-	-
Franchise Taxes				22,006	22,006
Public Service Taxes				257,256	257,256
Grants and Contributions Not Restricted to Specific Programs				-	-
Unrestricted Investment Earnings				657	657
Miscellaneous				13,027	13,027
Transfers				3,416	3,416
Total General Revenues, Special Items, and Transfers				298,144	298,144
Change in Net Position				5,093	210,187
Prior Period Adjustment				(9,433)	210,187
Net Position - Beginning of Year				733,856	2,059,612
Net Position - End of Year				\$ 729,516	\$ 2,479,986

See Independent Auditor's Report.
The accompanying notes are an integral part of the basic financial statements.

Town of Vici
Balance Sheet - Governmental Funds
June 30, 2014

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets			
Cash and Cash Equivalents	427,318	14,015	\$ 441,333
Investments	10,268	-	10,268
Due From Other Funds	-	-	-
Taxes Receivable, Net	39,278	-	39,278
Receivable From Other Governments	-	-	-
Other Receivables	-	-	-
Inventories	-	-	-
Prepaid Expenses	4,379	-	4,379
Total Assets	<u>481,243</u>	<u>14,015</u>	<u>495,258</u>
Liabilities and Fund Balances			
Liabilities			
Accounts Payable	-	-	-
Due To Other Funds	-	-	-
Payable To Other Governments	-	-	-
Deferred Revenue	-	-	-
Other Accrued Expenses	-	-	-
Other Payables	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances			
Restricted	-	-	-
Committed	-	-	-
Assigned	-	-	-
Unassigned	481,243	14,015	495,258
Total Fund Balances	<u>481,243</u>	<u>14,015</u>	<u>495,258</u>
Total Liabilities and Fund Balances	<u>\$ 481,243</u>	<u>\$ 14,015</u>	<u>\$ 495,258</u>

The accompanying notes are an integral part of the basic financial statement.

Town of Vici
Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position
June 30, 2014

Total Fund Balance - Governmental Funds	\$	495,258
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.		234,258
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Certain other long-term assets are not available to pay current period expenditures and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.		-
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Some liabilities, (such as Notes Payable, Capital Lease Contract Payable, Long-term Compensated Absences, and Bonds Payable), are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position.		-
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Net Assets of Governmental Activities in the Statement of Net Position	\$	<u>729,516</u>
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The accompanying notes are an integral part of the basic financial statement.

Town of Vici
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds
Year Ended June 30, 2014

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues			
Franchise Taxes	\$ 22,006	\$ -	\$ 22,006
Sales and Miscellaneous Taxes	257,256	5,521	262,777
Fees and Fines	3,960	-	3,960
Licenses and Permits	-	-	-
Intergovernmental	-	-	-
Charges for Services	6,000	-	6,000
Investment Earnings	657	-	657
Miscellaneous	13,027	-	13,027
Oil and Gas Royalty	1,782	-	1,782
Grants	-	-	-
Total Revenues	<u>304,688</u>	<u>5,521</u>	<u>310,209</u>
Expenditures			
Current			
General Government	180,245	-	180,245
Public Safety	76,969	-	76,969
Public Works	-	-	-
Health and Sanitation	-	-	-
Culture and Recreation	-	-	-
Education	-	-	-
Highways and Roads	-	15,785	15,785
Debt Service	-	-	-
Principal	-	-	-
Interest and Other Charges	-	-	-
Capital Outlay	21,713	-	21,713
Total Expenditures	<u>278,927</u>	<u>15,785</u>	<u>294,712</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>25,761</u>	<u>(10,264)</u>	<u>15,497</u>
Other Financing Sources (Uses)			
Proceeds from Long-Term Debt, Net	-	-	-
Proceeds from Capital Leases	-	-	-
Other Source	-	-	-
Other Use	-	-	-
Transfers In	9,516	-	9,516
Transfers Out	(5,859)	-	(5,859)
Total Other Financing Sources (Uses)	<u>3,657</u>	<u>-</u>	<u>3,657</u>
Net Change in Fund Balances	29,418	(10,264)	19,154
Fund Balances - Beginning of Year	462,856	13,248	476,104
Fund Balances - Ending of Year	<u>\$ 481,243</u>	<u>\$ 14,015</u>	<u>\$ 495,258</u>

The accompanying notes are an integral part of the basic financial statement.

Town of Vici
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of
Governmental Funds to the Statement of Activities and Changes in Net Position
Year Ended June 30, 2014

Net Change in Fund Balances - Total Governmental Funds	\$	19,154
Amounts reported for Governmental Activities in the Statement of Activities are different because:		
Government Funds report capital outlay expenditures. However, in the Government-wide Statement of Activities and Changes in Net Position, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period		21,713
Repayment of debt principal is an expenditure in the government funds, but the repayment reduces liabilities in the Statement of Net Position.		-
The use of reserves and prepaid assets are reported as an expense in the Statement of Activities and reduces the reserve account in the Statement of Net Position		-
Depreciation expense on capital assets is reported in the Government-wide Statement of Activities and Changes in Net Position, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in Governmental Funds.		(35,533)
Change in Net Position of Governmental Activities	<u>\$</u>	<u>5,334</u>

The accompanying notes are an integral part of the basic financial statement.

Town of Vici
Statement of Net Position - Proprietary Funds
June 30, 2014

	Enterprise Funds		
	Vici Nursing Home	Vici Public Works	Total
Assets			
Current Assets			
Cash and Cash Equivalents	\$ 13,821	317,149	\$ 330,970
Investments	267,321	24,254	291,575
Accounts Receivable, Net	99,552	42,970	142,522
Restricted Cash	-	39,117	39,117
Due from Other Funds	-	-	-
Receivables from Other Governments	-	-	-
Other Receivables	-	-	-
Inventories	-	-	-
Prepaid Expenses	9,648	4,379	14,027
Total Current Assets	390,342	427,869	818,211
Capital Assets			
Utility System	-	145,382	145,382
Construction in Progress	-	-	-
Buildings	903,995	-	903,995
Equipment and Furniture	-	164,843	164,843
Less Accumulated Depreciation	(239,394)	(118,943)	(358,337)
Total Capital Assets	664,601	191,282	855,883
Total Assets	1,054,943	619,151	1,674,094
Deferred Outflows of Resources			
Total Deferred Outflows			
Liabilities			
Current Liabilities			
Accounts Payable	-	-	-
Salaries Payable	-	-	-
Accrued Interest Payable	-	-	-
Due to Other Funds	-	-	-
Payable to Other Governments	-	-	-
Meters Payable	-	39,117	39,117
Deferred Revenue	30,853	-	30,853
Compensated Absences	-	-	-
Capital Lease Obligation	-	-	-
Claims and Judgments	-	-	-
Bonds, Notes, and Loans Payable	-	-	-
Total Current Liabilities	30,853	39,117	69,970
Non-Current Liabilities			
Compensated Absences	-	-	-
Capital Lease Obligation	-	-	-
Claims and Judgments	-	-	-
Bonds, Notes, and Loans Payable	-	26,993	26,993
Total Non-Current Liabilities	-	26,993	26,993
Total Liabilities	30,853	66,110	96,963
Deferred Inflows of Resources			
Total Deferred Inflows			
Net Position			
Invested in Capital Assets, Net of Related Debt	664,601	191,282	855,883
Restricted for Debt Service	-	-	-
Restricted for Capital Projects	-	-	-
Restricted for Other Purposes	-	39,117	39,117
Unrestricted	359,489	322,642	682,131
Total Net Position	\$ 1,024,090	\$ 553,041	\$ 1,577,131

The accompanying notes are an integral part of the basic financial statement.

Town of Vici
Statement of Revenues, Expenditures, and Changes in Fund Net Position - Proprietary Funds
Year Ended June 30, 2014

	Enterprise Funds		
	Vici Nursing Home	Vici Public Works	Total
Operating Revenues			
Charges for Services	\$ 2,974,194	\$ 715,762	\$ 3,689,956
Miscellaneous	-	300	300
Total Operating Revenues	<u>2,974,194</u>	<u>716,062</u>	<u>3,690,256</u>
Operating Expenses			
Personal Services	1,482,948	295,867	1,778,815
Contractual Services	578,541	3,390	581,931
Utilities	92,681	16,292	108,973
Repairs and Maintenance	34,785	43,511	78,296
Other Supplies and Expenses	281,785	280,782	562,567
Insurance Claims and Expenses	155,390	-	155,390
Depreciation	21,363	17,172	38,535
Total Operating Expenses	<u>2,647,493</u>	<u>657,014</u>	<u>3,304,507</u>
Operating Income (Loss)	<u>326,701</u>	<u>59,048</u>	<u>385,749</u>
Non-Operating Revenues (Expenses)			
Interest and investment revenue	(3,980)	475	(3,505)
Miscellaneous revenue	(150)	-	(150)
Operating grants and contributions	-	37,750	37,750
Interest expense	-	-	-
Miscellaneous expenses	(205,834)	(5,500)	(211,334)
Total non-operating revenue (expenses)	<u>(209,964)</u>	<u>32,725</u>	<u>(177,239)</u>
Income (loss) before transfers	<u>116,737</u>	<u>91,773</u>	<u>208,510</u>
Transfers In	-	6,150	6,150
Transfers Out	-	(9,566)	(9,566)
Change in Net Position	<u>116,737</u>	<u>88,357</u>	<u>205,094</u>
Total Net Position - Beginning of Year	905,176	420,580	1,325,756
Prior Period Adjustment	2,177	44,104	46,281
Total Net Position - End of Year	<u>\$ 1,024,090</u>	<u>\$ 553,041</u>	<u>\$ 1,577,131</u>

The accompanying notes are an integral part of the basic financial statement.

Town of Vici
Statement of Cash Flows - Proprietary Funds
Year Ended June 30, 2014

	Business-Type Activities - Enterprise Funds		
	Public Works Authority	Nursing Home Authority	Totals
Cash Flows from Operating Activities			
Cash Received from Customers & Service Users	\$ 671,509	\$ 2,937,154	\$ 3,608,663
Cash Payments for Goods & Services & Employees	(598,534)	(2,834,694)	(3,433,228)
Net Cash Provided by Operating Activities	72,975	102,460	175,435
Cash Flows from Noncapital Financing Activities			
Operating Transfers In/(Out) to Other Funds	(3,416)	-	(3,416)
Net Cash Provided (Used) for Noncapital Financing Activities	(3,416)	-	(3,416)
Cash Flows from Capital and Related Financing Activities			
Repayment of Loan Proceeds	(4,303)	-	(4,303)
Prior Period Adjustment	44,104	2,177	46,281
Acquisition & Construction of Capital Assets	(39,405)	-	(39,405)
Net Cash Provided (Used) for Capital and Related Financing Activities	396	2,177	2,573
Cash Flows from Investing Activities			
Interest on Investments	475	(3,980)	(3,505)
Net Cash Provided by investing Activities	475	(3,980)	(3,505)
Net Increase (Decrease) in Cash & Cash Equivalents	70,430	100,657	171,087
Cash and Cash Equivalents - Beginning of Year	310,090	149,632	459,722
Cash and Cash Equivalents - End of Year	380,520	250,289	630,809
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:			
Operating Income	91,298	120,717	212,015
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities			
Depreciation	17,172	21,363	38,535
Change in Assets and Liabilities:			
(Increase) Decrease in Prepaid Expense	320	(2,580)	(2,260)
(Increase) Decrease in Interest Receivable	-	-	-
(Increase) Decrease in Accounts Receivable	(41,387)	(37,040)	(78,427)
Increase (Decrease) in Accrued Expenses	-	-	-
Increase (Decrease) in Meter Reserve	5,572	-	5,572
Total Adjustments	(18,323)	(18,257)	(36,580)
Net Cash Provided by Operating Activities	\$ 72,975	\$ 102,460	\$ 175,435

The accompanying notes are an integral part of the basic financial statement.

Town of Vici
Vici, Oklahoma

Notes to the Basic Financial Statements
June 30, 2014

1. **Summary of Significant Account Policies**

The Town of Vici, State of Oklahoma, (the Town) complies with accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the Town are discussed below.

A. Reporting Entity

The Town of Vici, State of Oklahoma, was organized under the statutes of the State of Oklahoma. The Town provides the following services as authorized by state statutes: general government, public safety (fire and police), streets, public works, judicial, health and social services, culture, parks and recreation, public improvements, and planning and zoning for the geographical area organized as the Town of Vici, State of Oklahoma.

As required by accounting principles generally accepted in the United States of America, these financial statements present the activities of the Town and its component units, entities for which the Town is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the Town's operations and so data from these units are combined with the data of the primary government.

Blended Component Units – In evaluating how to define the Town of Vici, State of Oklahoma, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria established by the Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*. The basic – but not the only – criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service application of this criterion involves considering whether the activity benefits the Town and/or its citizens, or whether the activity is conducted within the geographic boundaries of the Town and is generally available to its patrons. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the Town is able to exercise oversight responsibilities.

Component units may be presented as either a blended component unit or a discretely presented component unit. A blended component unit is a separate legal entity that meets the component unit criteria. In addition, the blended component unit's governing body is the same or substantially the same as the Town Council or the component unit provides services entirely to the Town. The component unit's funds are blended into those of the Town by appropriate fund type to constitute the primary government presentation. A discretely presented component in it is a separate legal entity that meets the component unit criteria but does not meet the criteria for blending.

The Town has no blended component units.

Town of Vici
Vici, Oklahoma

Notes to the Basic Financial Statements
June 30, 2014

1. **Summary of Significant Account Policies (Continued)**

B. Measurement Focus, Basis of Accounting and Basis of Presentation – Fund Accounting

The Town's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements, which provide a more detailed level of financial information. Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting.

Government-Wide Financial Statements – The statement of net position and the statement of activities display information about the Town as a whole. These statements include the financial activities of the primary government, except fiduciary funds. The statements distinguish between those activities of the Town that are governmental and those that are considered business-type activities.

The statement of net position presents the financial condition of the governmental and business-type activities at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Town's governmental activities and for the business-type activities of the Town. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on program revenues are presented as general revenues of the Town, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the Town.

Fund Financial Statements – During the year, the Town segregates transactions related to certain Town functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Town at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Major funds represent 10% of assets, liabilities, revenues, or expenditures of the corresponding element for all funds of that category and is at least 5% of the corresponding element total for *all* governmental and enterprise funds combined or is a fund that the government believes is important *enough* for financial statement users to be reported as a major fund. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

Fund Accounting – The accounts of the Town are organized and operated on the basis of funds. A fund is an independent fiscal accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. There are three categories of funds: governmental, proprietary and fiduciary.

Town of Vici
Vici, Oklahoma

Notes to the Basic Financial Statements
June 30, 2014

1. **Summary of Significant Account Policies (Continued)**

B. Measurement Focus, Basis of Accounting and Basis of Presentation – Fund Accounting (Continued)

Governmental Funds – are used to account for the government's general government activities. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The government considers all revenues available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Sales taxes, gasoline excise taxes and motor vehicle taxes collected and held by the state and county at year-end on behalf of the Town are susceptible to accrual and are recognized as revenue. Other receipts and taxes (franchise taxes, licenses, etc.) become measurable and available when cash is received by the government and are recognized as revenue at that time.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The following are the Town's major governmental funds:

General Fund – is the general operating fund of the Town. It accounts and reports for all financial resources of the general government, except those required to be accounted for in another fund.

Other governmental funds of the Town that are considered non-major funds include:

Special Revenue Funds - accounts for revenue sources that are designated to expenditures for specific purposes (not including major capital projects). The following are the Town's Special Revenue Funds: Street and Alley Fund.

Proprietary Funds – are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. In compliance with the Governmental Accounting Standards Board (GASB) Statement No. 20 the Town has elected to only apply Financial Accounting Standards Board (FASB), Accounting Principles Board (APB) and Accounting Research Board (ARB) materials issued on or before November 30, 1989 that do not conflict with GASB. Proprietary funds are classified as enterprise funds.

Town of Vici
Vici, Oklahoma

Notes to the Basic Financial Statements
June 30, 2014

1. **Summary of Significant Account Policies (Continued)**

B. Measurement Focus, Basis of Accounting and Basis of Presentation – Fund Accounting (Continued)

Enterprise Funds – are used to account for those operations that are financed and operated in a manner similar to private business where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where the governing body has decided that the determination of revenues earned, costs incurred and/or net income is necessary for capital maintenance, public policy or management accountability. The following are the Town's major enterprise funds:

Public Works Authority – accounts for the operations of providing public works to the Town.

Nursing Home Authority – accounts for the operations of the community owned nursing home facility.

Fiduciary Funds – account for assets held by the government in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the government under the terms of a formal trust agreement. Agency Funds are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. These funds are used to account for assets that the government holds for others in an agency capacity. The Town does not have a fiduciary fund.

C. Assets, Liabilities, and Equity

1. **Deposits and Investments**

Oklahoma Statutes authorize the Town to invest in certificates of deposit, repurchase agreements, passbooks, bankers' acceptances, and other available bank investments provided that all deposits are fully covered by approved securities pledged to secure those funds. In addition, the Town can invest in direct debt securities of the United States unless law expressly prohibits such an investment.

For financial statement presentation and for purposes of the statement of cash flows, the Town's cash and cash equivalents are considered to be cash on hand, demand deposits and certificates of deposit with a maturity date of three months or less. Debt instruments with a maturity date of more than three months are considered to be investments. Investments are stated at cost.

2. **Fair Value of Financial Instruments**

The Town's financial instruments include cash and cash equivalents, investments, accounts receivable and accounts payable. The Town's estimates of the fair value of all financial instruments do not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

**Town of Vici
Vici, Oklahoma**

**Notes to the Basic Financial Statements
June 30, 2014**

1. Summary of Significant Account Policies (Continued)

C. Assets, Liabilities and Equity (Continued)

3. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

4. Inventories

Inventories in both governmental funds and proprietary funds normally consist of minimal amounts of expendable supplies held for consumption. The costs of such inventories are recorded as expenditures when purchased rather than when consumed.

5. Restricted Assets

The amounts reported as restricted assets are composed of amounts held by the Public Works Authority for utility deposits (refunded upon termination of service or applied to the final bill), of \$39,117.

6. Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported in the business-type activities column of the government-wide statement of net assets and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The Town does not maintain a capitalization threshold. The Town's infrastructure consists of roads, bridges, culverts, curbs and gutter, streets and sidewalks, drainage system, lighting systems and similar assets that are immovable and of value only to the Town. Such infrastructure assets acquired after July 1, 2003 are capitalized in accordance with the requirements of GASB 34. Improvements are capitalized; the costs of normal maintenance and repairs that do not add value of the asset or materially extend an asset's life are not capitalized. Major outlays for capital assets and improvements are capitalized in proprietary funds as projects

Town of Vici
Vici, Oklahoma

Notes to the Basic Financial Statements
June 30, 2014

1. Summary of Significant Accounting Policies (Continued)

C. Assets, Liabilities and Equity (Continued)

are constructed. Interest incurred during the construction phase of proprietary fund capital assets is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

Description	Governmental Activities	Business-Type Activities
	Estimated Lives	Estimated Lives
Buildings & Improvements	40 - 100 years	40 - 100 years
Plants & Facilities	40 - 100 years	40 - 100 years
Furniture & Major Movable Equipment	10 - 40 years	10 - 40 years
Distribution systems	10 - 40 years	10 - 40 years
Infrastructure	40 - 100 years	40 - 100 years

The Town has not maintained complete capital asset records to support the historical cost of past capital asset purchases. Accounting principles generally accepted in the United States of America require that capital assets be recorded at historical cost net of accumulated depreciation. Documentation supporting historical cost was not readily available to determine these amounts. The amount by which this departure would affect the assets, net position, and expenses of the Government and Business-Type Activities is not readily determinable.

Town of Vici
Vici, Oklahoma

Notes to the Basic Financial Statements
June 30, 2014

1. Summary of Significant Accounting Policies (Continued)

C. Assets, Liabilities and Equity (Continued)

6. Capital Assets (Continued)

Primary Government capital asset activity for the year ended is as follows:

Governmental Activities	Balance 6/30/2013	Additions	Disposals	Balance 6/30/2014
Depreciable Assets				
Vehicles	\$ 153,784	\$ 700	\$ -	\$ 154,484
Buildings	216,493	22,353	-	238,846
Equipment	53,699	-	-	53,699
Streets	48,813	-	-	48,813
Total Depreciable Assets	472,789	23,053	-	495,842
Less Accumulated Depreciation				
Vehicles	(99,306)	(13,401)		(112,707)
Buildings	(65,046)	(6,194)		(71,240)
Equipment	(32,247)	(14,838)		(47,085)
Streets	(29,452)	(1,100)		(30,552)
Total Accumulated Depreciation	(226,051)	(35,533)	-	(261,584)
Net Governmental Assets	246,738	(12,480)	-	234,258
Depreciable Assets				
Buildings	117,808	-	-	117,808
Water Wells/Equipment	152,407	39,405	-	191,812
Vehicles	117,072	-	-	117,072
Nursing Home Equipment	787,528	-	-	787,528
Total Depreciable Assets	1,174,815	39,405	-	1,214,220
Less Accumulated Depreciation				
Buildings	(21,568)	(281)	-	(21,849)
Water Wells	(30,687)	(703)	-	(31,390)
Vehicles	(70,803)	(12,585)	-	(83,388)
Nursing Home Equipment	(196,744)	(24,966)	-	(221,710)
Total Accumulated Depreciation	(319,802)	(38,535)	-	(358,337)
Net Business-Type Activities				
Capital Assets	\$ 855,013	\$ 870	\$ -	\$ 855,883

Depreciation expense was charged to unallocated depreciation and not charged as a direct expense of the various programs. Totally depreciated assets have been removed from the accounts resulting in a difference in balance shown on June 30, 2014

Town of Vici
Vici, Oklahoma

Notes to the Basic Financial Statements
June 30, 2014

1. **Summary of Significant Accounting Policies (Continued)**

C. **Assets, Liabilities, and Equity (Continued)**

7. **Long-Term Obligations**

The accounting and reporting treatment applied to long-term liabilities associated with a fund are determined by its measurement focus. All governmental fund types are accounted for on a spending "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources." Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

8. **Net Position/Fund Balance**

In the government-wide financial statement, net position represents the difference between assets and liabilities. Net position invested in capital assets, net of related debt, consists of capital assets, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, laws or other governments, or are imposed by law through constitutional provisions or enabling legislation.

In the fund financial statements, governmental funds report the hierarchy of fund balances. The hierarchy is based primarily on the degree of spending constraints placed upon use of resources for specific purposes versus availability of appropriation. An important distinction that is made in reporting fund balance is between amounts that are considered non-spendable (i.e., fund balance associated with assets that are not in spendable form, such as inventories or prepaid items, long-term portions of loans and notes receivable, or items that are legally required to be maintained intact [such as the corpus of a permanent fund]) and those that are spendable (such as fund balance associated with cash, investments or receivables).

Amounts in the spendable fund balance category are further classified as restricted, committed, assigned or unassigned, as appropriate.

Restricted fund balance represents amounts that are constrained either externally by creditors (such as debt covenants), grantors, contributors or laws or regulations of other governments; or by law, through constitutional provisions or enabling legislation.

Committed fund balance represents amount that are usable only for specific purposes by formal action of the government's highest level of decision-making authority. Such amounts are not subject to legal enforceability (like restricted amounts), but cannot be used for any other purpose unless the government removes or changes the limitation by taking action similar to that which imposed the commitment. The Town Ordinance is the highest level of decision-making authority of the Town.

**Town of Vici
Vici, Oklahoma**

**Notes to the Basic Financial Statements
June 30, 2014**

1. Summary of Significant Accounting Policies (Continued)

C. Assets, Liabilities, and Equity (Continued)

8. Net Position/Fund Balance (Continued)

Assigned fund balance represents amounts that are intended to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by the governing body itself, or a subordinated high-level body or official who the governing body has delegated the authority to assign amounts to be used for specific purposes. Assigned fund balances includes all remaining spendable amounts (except negative balances) that are reported in governmental funds other than the general fund, that are neither restricted nor committed, and amounts in the general fund that are intended to be used for specific purpose in accordance with the provisions of the standard.

Unassigned fund balance is the residual classification for the general fund. It represents the amounts that have not been assigned to other funds, and that have not been restricted, committed, or assigned to specific purposes within the general fund.

9. Resource Use Policy

It is in the Town's policy for all funds that when an expenditure/expense is incurred for purposes for which both restricted and unrestricted resources, including fund balances, are available, the Town considers restricted amounts to be spent first before any unrestricted amounts are used. Furthermore, it is the Town's policy that when an expenditure/expense is incurred for purposes for which committed, assigned, or unassigned resources, including fund balances, are available, the Town considers committed amounts to be spent first, followed by assigned amounts and lastly unassigned amounts.

2. Detailed Notes Concerning the Funds

A. Deposits and Investments

Custodial Credit Risk – At June 30, 2014, the Town held deposits of approximately \$1,113,263 at financial institutions. The Town's cash deposits, including interest-bearing certificates of deposit, are entirely covered by Federal Depository Insurance (FDIC) or direct obligation of the U.S. Government insured or collateralized with securities held by the Town or by its agent in the Town's name.

Investment Interest Rate Risk – The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Town of Vici
Vici, Oklahoma

Notes to the Basic Financial Statements
June 30, 2014

2. Detailed Notes Concerning the Funds

A. Deposits and Investments

Investment Credit Risk – The Town has no policy that limits its investment choices other than the limitation of state law as follows:

- a. Direct obligations of the U.S. Government, its agencies and instrumentalities to which the full faith and credit of the U.S. Government is pledged, or obligations to the payment of which the full faith and credit of the State is pledged.
- b. Certificates of deposits or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions.
- c. With certain limitation, negotiable certificates of deposit, prime bankers acceptances, prime commercial paper and repurchase agreements with certain limitations.
- d. County, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality or school district.
- e. Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator, and in obligations of the National Mortgage Association.
- f. Money market funds regulated by the SEC and in which investments consist of the investments mentioned in the previous paragraphs (a.-d.).

The investments held at June 30, 2014 are as follows:

Type	Credit Rating	Market Value	Cost
Investments			
Certificate of Deposits		\$ 301,843	\$ 301,843
Total Investments		\$ 301,843	\$ 301,843

Reconciliation to Statement of Net Assets	
Governmental Activities	\$ 10,268
Business-Type Activities	291,575
	\$ 301,843

The Town places no limit on the amount it may invest in any one issuer. The Town has the following credit risk: 100% in certificates in deposit.

**Town of Vici
Vici, Oklahoma**

**Notes to the Basic Financial Statements
June 30, 2014**

3. Long-Term Debt

Long-term debt of the Town consists of notes payable. Debt service requirements for notes are payable solely from fund balance and future revenues of the Public Works Authority. The following briefly describes these notes payable:

Oklahoma Department of Commerce – The original amount of the loan is \$86,079.00. The loan is to be repaid in 240 monthly installments. The first 239 payments are to be in the amount of \$358.66 and the final payment is to be \$359.26. This is a 0% interest loan. The Town is to remit payments beginning in fiscal year 2003 and ending in fiscal year 2023.

The following is a summary of the long-term debt transactions of the Public Works Authority for the year ended June 30, 2014, based on the original loan terms.

Balance, July 01, 2013	\$ 31,296
Retirements	<u>(4,303)</u>
Balance, June 30, 2014	<u>\$ 26,993</u>

The annual debt service requirements for retirement of note principal and payment of interest are as follows:

Year Ending				
June 30,	Principal	Interest	Total	
2014	\$ 4,304	\$ -	\$ 4,304	
2015	4,304	-	4,304	
2016	4,304	-	4,304	
Thereafter	14,080	-	14,080	
Totals	<u>\$ 26,992</u>	<u>\$ -</u>	<u>\$ 26,992</u>	

Interest expense on general long-term debt incurred during the current year totaled \$0.00.

4. Prior Period Adjustments

Prior period adjustments were required during the current fiscal year to correct errors in depreciation expense and accumulated depreciation accounts. This adjustment was made to reconcile the financial statements to the itemized depreciation schedule.

The second prior period adjustment was made to adjust the accounts receivable to actual at the beginning of the year. An incorrect accounts receivable aging report was provided, therefore an adjustment was required.

The overall effect of these adjustments to the proprietary funds equal a \$46,281 addition to the net position.

**Town of Vici
Vici, Oklahoma**

**Notes to the Basic Financial Statements
June 30, 2014**

5. Other Information

Risk Management – The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; employee health benefits; unemployment; and natural disasters. The Town purchases commercial insurance for protection against loss other than health, life, and workers compensation. Settled claims have not exceeded the commercial coverage during the past three fiscal years.

The Town is a member of the Oklahoma Municipal Assurance Group Workers' Compensation Plan (the Plan), an organization formed for the purpose of providing workers' compensation coverage through the State Insurance Fund to participating municipalities in the State of Oklahoma. The Plan is responsible for providing loss control services and certain fiscal activities including obtaining contract arrangements for the underwriting, excess insurance agreements, claims processing, and legal defense for any and all claims submitted to it during the Plan year.

As a member of the Plan, the Town is required to pay fees set by the Plan according to an established payment schedule. The Town is responsible for complying with all requirements of the Oklahoma Workers' Compensation Act. A Loss Fund has been established from the proceeds of fees paid by the Town. The State Insurance Fund provides coverage in excess of the Loss Fund so the Town's liability for claim loss is limited to the balance of that fund. However, failure of the State Insurance Fund to honor its obligations could result in losses to the Plan.

6. Subsequent Events

Management has evaluated subsequent events through , which is the date the financial statements were available to be issued and has determined that no additional information needs to be added to the financial statements.

Town of Vici
Vici, Oklahoma

Required Supplemental Information
for the year ended June 30, 2014

Town of Vici
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget (GAAP Budgetary Basis) and Actual
Governmental Funds
Year Ended June 30, 2014
(unaudited)

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$ -	\$ -	\$ -	\$ -
Sales and Miscellaneous Taxes	263,400	263,400	285,157	(21,757)
Fees and Fines	4,000	4,000	3,374	626
Licenses and Permits	-	-	211	(211)
Intergovernmental	-	-	-	-
Charges for Services	6,000	6,000	6,000	-
Investment Earnings	500	500	657	(157)
Miscellaneous	4,000	4,000	13,027	(9,027)
Total Revenues	277,900	277,900	308,426	(30,526)
Expenditures				
Current				
General Government	175,000	175,000	180,245	(5,245)
Public Safety	57,000	57,000	76,969	(19,969)
Highways and Roads	-	-	-	-
Health and Sanitation	-	-	-	-
Culture and Recreation	-	-	-	-
Education	-	-	-	-
Debt Service				
Principal	-	-	-	-
Interest and Other Charges	-	-	-	-
Capital Outlay	60,000	60,000	21,713	38,287
Total Expenditures	292,000	292,000	278,927	13,073
Excess (Deficiency) of Revenues				
Over Expenditures	(14,100)	(14,100)	29,499	(17,453)
Other Financing Sources (Uses)				
Proceeds from Capital Leases	-	-	-	-
Transfers In	-	-	9,516	(9,516)
Transfers Out	-	-	(5,859)	5,859
Total Other Financing Sources and Uses	-	-	3,657	(3,657)
Special Item				
Proceeds from Sale Capital Assets	-	-	-	-
Net Change in Fund Balances	(14,100)	(14,100)	33,156	(47,256)
Fund Balances - Beginning of Year	393,707	393,707	100,834	292,873
Fund Balances - Ending of Year	\$ 379,607	\$ 379,607	\$ 133,990	\$ 245,617

TOWN of Vici
Vici, Oklahoma

Notes on Required Supplemental Information
Year Ended June 30, 2014
(Unaudited)

Budgetary Information

Annual budgets are adopted on a basis consistent with account principles generally accepted in the United States of America (GAAP) for all governmental funds. The enterprise funds and internal service fund adopt budgets on the non-GAAP basis wherein service fees, bond and note proceeds are recognized as revenue, principal payments on debt and capital expenditures are recognized as expenses, and depreciation expense is not budgeted. Annual appropriated budgets are not adopted for the agency funds. Budgetary data for enterprise funds, internal service, and permanent funds are not presented in these financial statements.

Prior to July 1, the Town Clerk (not an elected official) submits a proposed operating budget for the fiscal year commencing July 1 to the Commissioners (elected officials). Public hearings are held at regular or special meetings to obtain taxpayer input. Prior to July 1, the budget is legally enacted through passage of a budget resolution. The operating budget, for all budgeted funds, includes proposed expenditures and the means of financing. Each fund's appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by source. Expenditures are budgeted by department and class as follows: personal services, maintenance and operations, capital outlay, transfers, and debt service. This constitutes the legal level of control. Expenditures may not exceed appropriations at this level. A more detailed budget is used for operating purposes. All budget revisions at the legal level are subject to final approval by the Town Council. Within these control levels, management may transfer appropriations without council approval. Revisions to the budget were made during the year in accordance with the provisions of the Oklahoma Statutes. All annual appropriations lapse at year-end.

The Town uses encumbrance accounting. Encumbrances are recorded when purchase orders are issued but generally are not considered expenditures until liabilities for payments are incurred. At year-end, open purchase orders are reviewed and payments are made on those where the receipt of goods and services is eminent. The remaining purchase orders (and encumbrances) are cancelled and re-issued during the following year. There are no outstanding encumbrances at year-end.

Town of Vici
Vici, Oklahoma

Other Information
Year Ended June 30, 2014

**Town of Vici
Vici, Oklahoma**

Schedule of Expenditures of Federal and State Awards

<u>Federal Grantor/Pass-Through Grantor/ Program Title</u>	<u>Program or Award Amount</u>	<u>Revenue Collected</u>	<u>Total Expenditures</u>
Oklahoma Economic Development Authority			
REAP Grant – Contract #12-123 (Water Well) - Extended	44,000	-	-
REAP Grant – Contract #13-29 (Sewer Machine)	37,750	37,750	37,750
 Department of Agriculture			
Fire Grant	<u>4,474</u>	<u>4,474</u>	<u>4,485</u>
 Total Grants	 \$ 86,224	 \$ 42,224	 \$ 42,235

Note A – Basis of Presentation

This schedule includes the federal grant activity of the Town of Vici, State of Oklahoma, and is presented on the cash basis of accounting. Therefore, some amounts presented in this schedule may differ from amounts present in, or used in the preparation of the basic financial statements.

Town of Vici
Vici, Oklahoma

Report Required by *Government Auditing Standards*
Year Ended June 30, 2014

**Independent Auditor's Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards***

The Board of Town Commissioners
Town of Vici
110 W. Broadway
Vici, Oklahoma 73859

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Vici, State of Oklahoma, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Town of Vici, State of Oklahoma's basic financial statements and have issued my report thereon dated . The report on governmental and business-type activities was qualified because of the lack of fixed asset records and failure to provide depreciation on those fixed assets. Additionally, The Town of Vici, State of Oklahoma, did not present the Management's Discussion and Analysis required by the Governmental Accounting Standards Board.

Internal Control over Financial Reporting

In planning and performing my audit of the financial statements, I considered Town of Vici's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Town of Vici's internal control. Accordingly, I do not express an opinion on the effectiveness of Town of Vici's internal control.

My consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, I identified certain deficiencies in internal control that I consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. I consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses. 2014-1; 2014-3

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. I consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies. 2014-2; 2014-4

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Vici, State of Oklahoma's financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Town of Vici, State of Oklahoma's Response to Findings

Town of Vici, State of Oklahoma's response to the findings identified in my audit is described in the accompanying schedule of findings and responses. Town of Vici, State of Oklahoma's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Linda S. Woodruff, CPA, P.C.

Linda S Woodruff CPA, PC
Oklahoma City, Oklahoma

May 28, 2015

**Town of Vici,
Vici, Oklahoma**

Schedule of Findings and Responses

2014-01. Internal Control – Segregation of Duty

Condition: An adequate internal control structure does not exist because of the small size of the entity nor is there adequate segregation of duties.

Criteria: Internal controls should be in place that provide reasonable assurance that any one individual does not have control over several of the financial functions of the Town.

Effect: Because of the inadequate segregation of duties, an opportunity exists for an employee to alter record keeping and jeopardize the safeguarding of the Town's assets.

Recommendation: I recommend that the Town strive to implement more segregation of duties where possible and utilize compensating procedures where applicable such as more active participation of Town's governing board in daily operations.

Response: The Town of Vici concurs with the recommendation.

2014-02. Internal Control – Accounts Receivable

Condition: No listing of past due customers is provided at the end of the fiscal year.

Criteria: An aging statement showing past due customer amounts and days outstanding should be reviewed on the last day of the month. This report then should be presented to the Town Board for discussion of delinquent accounts, if any, that require write-off or adjustment.

Effect: Accounts receivable balance could be materially overstated or understated on the financial statement resulting in understated or overstated revenue.

Recommendations: Generate an aging report on the last business day of the month from the billing software. Review this report and discuss with the Town Board if action is required on any customer's account.

Response: The Town of Vici clerk will generate a report of past due customers at the end of each month for reconciliation purposes.

Town of Vici,
Vici, Oklahoma

Schedule of Findings and Responses

2014-03. Internal Control – Material Adjusting Journal Entries

Criteria: As evidence of effective internal controls over accounting and financial reporting, there should generally be few, if any, material adjustments to the trial balances required that are detected and corrected. Town management should not rely on the external auditor to detect and correct material misstatements in the books and records as part of its internal controls, but rather should have its own procedures designed and in place that are independent of the external auditor to provide reasonable, although not absolute, assurance that material misstatements will be detected and corrected in its trial balances prior to audit.

Condition: The Town's trial balances for the year ended June 30, 2014, required a number of material adjusting journal entries in order for the financial statements to be prepared in accordance with GAAP.

Cause: The Town did not record audit adjusting entries from the prior year. As a result, management has had to rely on the external auditors to identify and correct a number of material misstatements in the trial balance.

Effect: As a result of this condition, without reliance on its external auditors, the Town lacks the necessary internal controls over the completeness and accuracy of the trial balances that are used in the preparation of its financial statement in accordance with GAAP. This condition can result in undetected and uncorrected material misstatements in the financial statements that are not detected by management and may also not be detected by the financial statement audit. In addition, if management's intentions are to continue to rely on the external auditor to detect and correct material misstatements, this condition could place the auditor in a questionable position regarding auditor independence as a result of the auditor performing part of management's functions in regard to the trial balance.

Recommendation: The Town should enter all adjustments from the prior year audit and reconcile the beginning balances to the ending balances of the audit report. The staff should also review current transactions for prior classification prior to the audit process.

Response: The Town of Vici agrees with the recommendation and will review the financial statements for obvious errors and omissions on a monthly basis and will discuss potential entries as required.

2014-04. Internal Control – Asset Capitalization Policy

Condition: The Town does not have a set policy for capitalization of fixed assets.

Criteria: A policy should be in place that will ensure consistent treatment of property additions and repairs and maintenance expense.

Effect: Because of the lack of a formal capitalization policy, immaterial items may be capitalized and items that are material may be expensed.

Recommendation: I have recommended that the Town establish a policy whereby all property purchases over \$1,000 or up and have a useful life of more than one year are capitalized. The Town should document the capitalization policy and communicate it to those who code property invoices to ensure the policy is consistently followed.

Response: Management will implement the recommended changes upon board approval.